

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Bondurant-Farrar Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Bill Elson	President (resigned May, 2007)	2008
Warren Nielsen	Vice President (appointed President)	2008
Mike Adams	Board Member (appointed Vice President)	2007
Kim Bailey	Board Member	2007
Allison Bishop	Board Member	2009
Susan Ugulini	Board Member (elected July, 2007)	2008

Board of Education
(After September 2007 Election)

Mike Adams	President	2010
Warren Nielsen	Vice President	2008
Susan Ugulini	Board Member	2008
Allison Bishop	Board Member	2009
Kim Bailey	Board Member	2010

School Officials

Peggy Huisman	Superintendent	2008
Gail Helm	District Secretary/ Treasurer (Resigned)	2008
Alicia Adkins	Business Manager (appointed April, 2008)	2008
Mary Kurth	Board Secretary (appointed April, 2008)	2008
Sue Seitz	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District, Bondurant, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2009, on our consideration of the Bondurant-Farrar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Member American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,190,785 in fiscal 2007 to \$9,133,978 in fiscal 2008, while General Fund expenditures also increased from \$8,819,054 in fiscal 2007 to \$9,348,484 in fiscal 2008. This resulted in a decrease in the District's fund balance from a deficit \$814,276 in fiscal 2007 to a deficit \$1,028,782 in fiscal 2008, which was a 26.34% decrease from the prior year. The District's solvency ratio decreased from a deficit 13.08 in fiscal 2007 to a deficit 14.30 in fiscal 2008. Despite the decrease in the fund balance and solvency ratio, the amount of change was significantly less than in the prior year. The District is aggressively addressing the financial challenges.
- The increase in General Fund revenues was attributable in part to an increase in student enrollment and also in part to an increase in property tax and state sources. The increase in expenditures was due to the increase in negotiated salary and benefits as well as the continuation of overspending in general.
- The District has implemented many steps to slow the previous trend in the General Fund deficit. With the change in District leadership, an action plan has been implemented to address the deficit. Steps implemented in the action plan include reduction in force, delays in planned purchases, increased fees, et cetera.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bondurant-Farrar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bondurant-Farrar Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bondurant-Farrar Community School District acts solely as an agent or custodian for the benefit of those outside of the school district.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Bondurant-Farrar Community School District Annual Financial Report

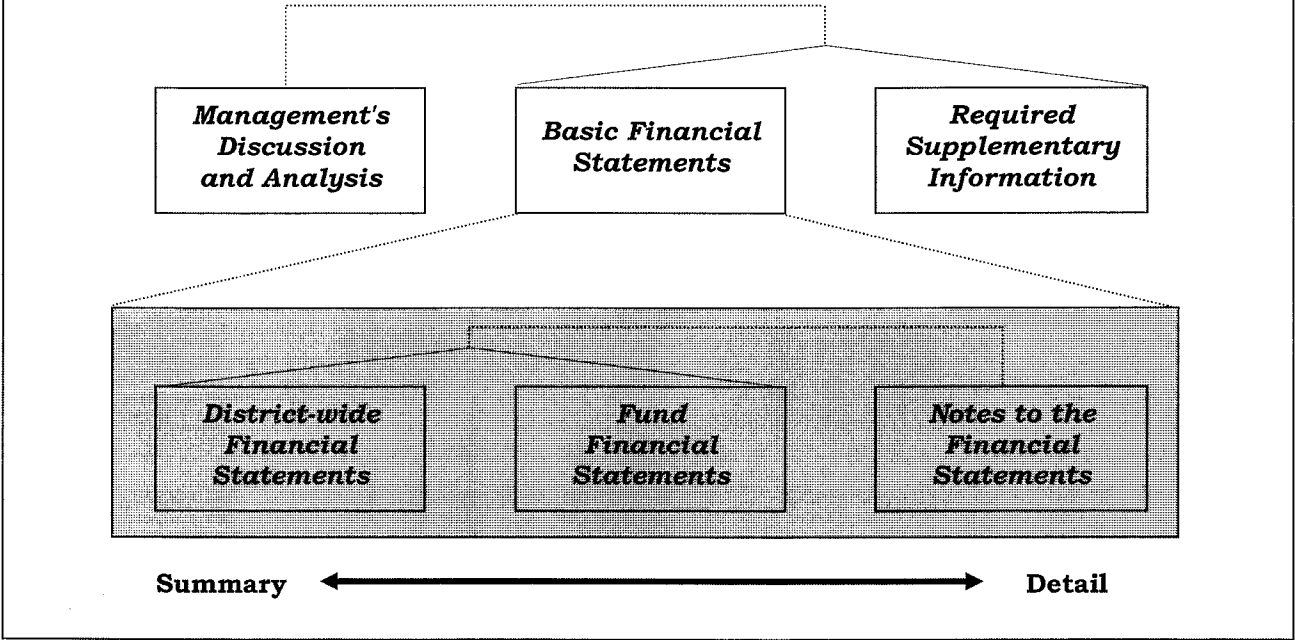


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District established other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

- 2) *Proprietary funds:* Service for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 9,015,200	7,281,532	61,478	85,179	9,076,678	7,366,711	23.21%
Capital assets	8,839,320	8,838,066	101,414	107,053	8,940,734	8,945,119	-0.05%
Total assets	17,854,520	16,119,598	162,892	192,232	18,017,412	16,311,830	10.46%
Long-term obligations	2,360,414	2,144,533	0	0	2,360,414	2,144,533	10.07%
Other liabilities	6,663,478	5,997,623	108,674	124,953	6,772,152	6,122,576	10.61%
Total liabilities	9,023,892	8,142,156	108,674	124,953	9,132,566	8,267,109	10.47%
Net assets:							
Invested in capital assets, net of related debt	6,629,320	6,858,066	101,414	107,053	6,730,734	6,965,119	-3.37%
Restricted	3,521,143	2,239,623	0	0	3,521,143	2,239,623	57.22%
Unrestricted	(1,319,835)	(1,120,247)	(47,196)	(39,774)	(1,367,031)	(1,160,021)	-17.85%
Total net assets	\$ 8,830,628	7,977,442	54,218	67,279	8,884,846	8,044,721	10.44%

The District's combined net assets increased by 10.44%, or \$840,125, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,281,520, or 57.22% over the prior year. The increase was primarily due to the issuance of bonds in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$207,010, or 17.85%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 945,134	917,403	508,048	271,814	1,453,182	1,189,217	22.20%
Operating grants and contributions and restricted interest	1,084,721	880,789	145,847	143,618	1,230,568	1,024,407	20.12%
General revenues:							
Property tax	3,027,715	2,916,671	0	0	3,027,715	2,916,671	3.81%
Local option sales and service tax	1,078,591	1,076,770	0	0	1,078,591	1,076,770	0.17%
Unrestricted state grants	4,788,195	4,325,257	0	0	4,788,195	4,325,257	10.70%
Unrestricted investment earnings	83,335	79,381	2,572	5,781	85,907	85,162	0.87%
Other	47,217	99,641	0	6,763	47,217	106,404	-55.62%
Total revenues	11,054,908	10,295,912	656,467	427,976	11,711,375	10,723,888	9.21%
Program expenses:							
Governmental activities:							
Instructional	6,608,712	5,957,019	196,031	196,343	6,804,743	6,153,362	10.59%
Support services	2,870,794	2,965,307	0	0	2,870,794	2,965,307	-3.19%
Non-instructional programs	0	4,743	473,497	446,453	473,497	451,196	4.94%
Other expenses	722,216	780,918	0	0	722,216	780,918	-7.52%
Total expenses	10,201,722	9,707,987	669,528	642,796	10,871,250	10,350,783	5.03%
Change in net assets	853,186	587,925	(13,061)	(214,820)	840,125	373,105	125.17%
Beginning net assets	7,977,442	7,389,517	67,279	282,099	8,044,721	7,671,616	4.86%
Ending net assets	\$ 8,830,628	7,977,442	54,218	67,279	8,884,846	8,044,721	10.44%

Property tax, local option sales and services tax and unrestricted state grants account for 75.94% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues were in charges for services, operating grants and contributions and restricted interest, and unrestricted state grants. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels was caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$11,054,908 and expenses were \$10,201,722.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 6,608,712	5,957,019	10.94%	4,947,477	4,491,777	10.15%
Support services	2,870,794	2,965,307	-3.19%	2,867,020	2,962,467	-3.22%
Non-instructional programs	0	4,743	-100.00%	0	4,743	-100.00%
Other expenses	722,216	780,918	-7.52%	357,370	450,808	-20.73%
Totals	<u>\$ 10,201,722</u>	<u>9,707,987</u>	<u>5.09%</u>	<u>8,171,867</u>	<u>7,909,795</u>	<u>3.31%</u>

- The cost financed by users of the District's programs was \$945,134.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,084,721.
- The net cost of governmental activities was financed with \$3,027,715 in property tax, \$1,078,591 in local option sales and services tax, \$4,788,195 in unrestricted state grants, \$83,335 in interest income and \$47,217 in miscellaneous sources.

Business-Type Activities

Revenues for business type activities were \$656,467 and expenses were \$669,528. The District's business type activities include the School Nutrition Fund and the Construction Class Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Bondurant-Farrar Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,248,605, an increase of 90.92% compared to last years ending fund balances of \$1,177,757.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase in revenues was more than offset by an increase in expenditures, resulting in the General Fund balance to decrease.
- The General Fund balance decreased from a deficit \$814,276 to a deficit \$1,028,782, due in part to the increase in expenditures.

-
- The Capital Projects Fund balance increased from \$854,669 at June 30, 2007 to \$1,854,115 at June 30, 2008, representing an increase of 116.94% due to the issuance of general obligation bonds.
 - The Debt Service Fund balance increased from \$688,448 at June 30, 2007 to \$870,566 at June 30, 2008, representing an increase of 26.45%.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$154,139 at June 30, 2007 to \$128,119 at June 30, 2008, representing a decrease of 16.88%.

The Construction Class Fund net assets increased from a deficit \$86,860 at June 30, 2007 to a deficit \$73,901 at June 30, 2008, representing an increase of 14.92%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$636,061 more than budgeted receipts, a variance of 5.74%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in instruction, non-instructional programs and other expenditures functional areas. The District also exceeded the total expenditures amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$8,940,734, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for year was \$372,328.

The original cost of the District's capital assets was \$15,650,025. Governmental funds account for \$15,358,150, with the remainder of \$291,875 accounted for in the Proprietary, School Nutrition Fund.

The largest category change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$306,687 at June 30, 2008 compared to \$0 reported at June 30, 2007. This increase resulted from the work on the new high school in Bondurant.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 507,375	507,375	0	0	507,375	507,375	0.00%
Construction in progress	306,687	0	0	0	306,687	0	100.00%
Buildings	7,510,594	7,745,176	0	0	7,510,594	7,745,176	-3.03%
Land improvements	165,764	187,920	0	0	165,764	187,920	-11.79%
Machinery and equipment	348,900	397,595	101,414	107,053	450,314	504,648	-10.77%
Total	<u>\$ 8,839,320</u>	<u>8,838,066</u>	<u>101,414</u>	<u>107,053</u>	<u>8,940,734</u>	<u>8,945,119</u>	<u>-0.05%</u>

Long-Term Debt

At June 30, 2008, the District had \$2,360,414 in general obligation and other long-term debt outstanding. This represents an increase of 10.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,000,000 at June 30, 2008.

The District had total outstanding Revenue Bonds payable of \$1,210,000 at June 30, 2008.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$147,247 at June 30, 2008.

The District had total outstanding Compensated Absences payable from the General Fund of \$3,167 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
General obligation bonds	\$ 1,000,000	205,000	387.8%
Revenue Bonds	1,210,000	1,775,000	-31.8%
Early Retirement	147,247	135,338	8.8%
Compensated Absences	3,167	29,195	-89.2%
Totals	<u>\$ 2,360,414</u>	<u>2,144,533</u>	<u>10.1%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- With the District's current financial challenges, the general state of the economy is of large concern for the District as state budget cuts appear inevitable, shifting funding on property taxes.

-
- During 2007-2008, the District established an action plan to address the current deficit and implement steps to regain solvency. For the 2008-2009 budget, the District cut General Fund expenditures budget, reduced staff and implemented cost savings as deemed feasible.
 - The District continues to explore opportunities to improve the financial status, knowing that the process will take time and sacrifice but ensuring that the best interest of our students be considered first.
 - Many factors continue to be a concern for the District including the unstable prices of gas, diesel, and natural gas.
 - With 84% of the General Fund expenditures consisting of salaries and benefits, the increasing cost of salaries, benefits, health costs and IPERS continue to be a major concern.
 - On a positive note, due to the District's location and continued growth, enrollment increase 4.74% from October 2006 to October 2007 and 3.72% from October 2007 to October 2008. Current projections predict continued growth in the District which will result in an increase in state funding reflective of actual increase.
 - Along with the growth, the District is experiences growing pains regarding facility space. In the fall of 2008, construction began on a new 87,000 square foot high school which is scheduled for completion in June 2010. The existing high school building will be converted into a middle school housing grades 5-8. The majority of funding for the new high school project consists of \$10.3 million of General Obligation Bonds. \$1,000,000 of the G.O. Bonds was issued in December 2007 with the remaining \$9.3 million being issued in July 2008.
 - Along with the addition of a new facility, naturally comes additional expenses for the operation of the new building, additional staff, supplies, et cetera, which are all General Fund expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Alicia Adkins, Business Manager, Bondurant-Farrar Community School District, 300 Garfield St. S. W., Bondurant, Iowa, 50035.

BASIC FINANCIAL STATEMENTS

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP (Note 5)	\$ 705,705	0	705,705
U.S. Treasury Securities on deposit with escrow agent	695,786	0	695,786
Other	2,396,728	40,883	2,437,611
Receivables			
Property tax:			
Delinquent	45,592	0	45,592
Succeeding year	3,849,265	0	3,849,265
Income surtax	113,881	0	113,881
Interfund	854,745	0	854,745
Accounts	3,109	6,735	9,844
Accrued ISCAP interest (Note 5)	268	0	268
Due from other governments	350,121	0	350,121
Inventories	0	13,860	13,860
Capital assets, net of accumulated depreciation (Note 6)	8,839,320	101,414	8,940,734
Total Assets	17,854,520	162,892	18,017,412
Liabilities			
Excess of warrants issued over bank balance	0	71,138	71,138
Interfund payable	839,246	15,499	854,745
Accounts payable	248,912	3,109	252,021
Salaries and benefits payable	899,635	6,456	906,091
ISCAP warrants payable (Note 5)	700,000	0	700,000
ISCAP accrued interest payable (Note 5)	206	0	206
ISCAP unamortized premium	12,005	0	12,005
Accrued interest payable	10,764	0	10,764
Deferred revenue:			
Succeeding year property tax	3,849,265	0	3,849,265
Other	103,445	0	103,445
Unearned revenue	0	12,472	12,472
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	200,000	0	200,000
Revenue bonds payable	590,000	0	590,000
Early retirement	25,208	0	25,208
Compensated absences	3,167	0	3,167
Portion due after one year:			
General obligation bonds payable	800,000	0	800,000
Revenue bonds payable	620,000	0	620,000
Early retirement	122,039	0	122,039
Total Liabilities	9,023,892	108,674	9,132,566
Net Assets			
Invested in capital assets, net of related debt	6,629,320	101,414	6,730,734
Restricted for:			
Beginning teacher mentoring	2,514	0	2,514
Salary improvement program	5,235	0	5,235
Additional teacher contract day	400	0	400
Additional salary, professional development	486	0	486
Professional development	589	0	589
Market factor	138	0	138
Market factor incentives	8,099	0	8,099
Early childhood empowerment	1,371	0	1,371
Talented and gifted	87,262	0	87,262
Early intervention	171,569	0	171,569
Capital projects	1,854,115	0	1,854,115
Debt service	870,566	0	870,566
Physical plant and equipment levy	353,822	0	353,822
Other special revenue purposes	164,977	0	164,977
Unrestricted	(1,319,835)	(47,196)	(1,367,031)
Total Net Assets	\$ 8,830,628	54,218	8,884,846

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,428,420	644,946	663,047	(3,120,427)	0	(3,120,427)
Special instruction	1,103,440	0	53,174	(1,050,266)	0	(1,050,266)
Other instruction	1,076,852	300,068	0	(776,784)	0	(776,784)
	6,608,712	945,014	716,221	(4,947,477)	0	(4,947,477)
Support services:						
Student services	322,291	0	0	(322,291)	0	(322,291)
Instructional staff services	277,862	0	0	(277,862)	0	(277,862)
Administration services	975,287	0	0	(975,287)	0	(975,287)
Operation and maintenance of plant services	953,269	0	0	(953,269)	0	(953,269)
Transportation services	342,085	120	3,654	(338,311)	0	(338,311)
	2,870,794	120	3,654	(2,867,020)	0	(2,867,020)
Other expenditures:						
Long-term debt interest	100,632	0	0	(100,632)	0	(100,632)
AEA flowthrough	364,846	0	364,846	0	0	0
Depreciation(unallocated)*	256,738	0	0	(256,738)	0	(256,738)
	722,216	0	364,846	(357,370)	0	(357,370)
Total governmental activities	10,201,722	945,134	1,084,721	(8,171,867)	0	(8,171,867)
Business-Type activities:						
Instruction:						
Construction class	196,031	208,990	0	0	12,959	12,959
Non-instructional programs:						
Nutrition services	473,497	299,058	145,847	0	(28,592)	(28,592)
Total business-type activities	669,528	508,048	145,847	0	(15,633)	(15,633)
Total	\$ 10,871,250	1,453,182	1,230,568	(8,171,867)	(15,633)	(8,187,500)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,756,631	0	2,756,631
Debt service				210,930	0	210,930
Capital outlay				60,154	0	60,154
Local option sales and services				1,078,591	0	1,078,591
Unrestricted state grants				4,788,195	0	4,788,195
Unrestricted investment earnings				83,335	2,572	85,907
Miscellaneous				47,217	0	47,217
Total general revenues				9,025,053	2,572	9,027,625
Changes in net assets				853,186	(13,061)	840,125
Net assets beginning of year				7,977,442	67,279	8,044,721
Net assets end of year				\$ 8,830,628	54,218	8,884,846

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 705,705	0	0	0	705,705
U.S. Treasury Securities on deposit with escrow agent	0	0	695,786	0	695,786
Other	589,079	1,281,356	171,398	354,895	2,396,728
Receivables:					
Property tax:					
Delinquent	38,559	0	3,382	3,651	45,592
Succeeding year	2,671,239	0	609,710	568,316	3,849,265
Income surtax	113,881	0	0	0	113,881
Interfund	15,499	583,068	0	256,178	854,745
Accounts	3,109	0	0	0	3,109
Accrued ISCAP interest (Note 5)	268	0	0	0	268
Due from other governments	201,025	149,096	0	0	350,121
Total Assets	\$ 4,338,364	2,013,520	1,480,276	1,183,040	9,015,200
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 839,246	0	0	0	839,246
Accounts payable	130,177	66,405	0	52,330	248,912
Salaries and benefits payable	889,947	0	0	9,688	899,635
ISCAP warrants payable (Note 5)	700,000	0	0	0	700,000
ISCAP accrued interest payable (Note 5)	206	0	0	0	206
ISCAP unamortized premium	12,005	0	0	0	12,005
Deferred revenue:					
Succeeding year property tax	2,671,239	0	609,710	568,316	3,849,265
Income surtax	113,881	0	0	0	113,881
Other	10,445	93,000	0	0	103,445
Total liabilities	5,367,146	159,405	609,710	630,334	6,766,595
Fund balances:					
Reserved for:					
Debt service	0	0	870,566	0	870,566
Beginning teacher mentoring	2,514	0	0	0	2,514
Salary improvement program	5,235	0	0	0	5,235
Additional teacher contract day	400	0	0	0	400
Additional salary, professional development	486	0	0	0	486
Professional development	589	0	0	0	589
Market factor	138	0	0	0	138
Market factor incentives	8,099	0	0	0	8,099
Early childhood empowerment	1,371	0	0	0	1,371
Talented and gifted	87,262	0	0	0	87,262
Early intervention	171,569	0	0	0	171,569
Unreserved:					
Undesignated	(1,306,445)	1,854,115	0	552,706	1,100,376
Total fund balances	(1,028,782)	1,854,115	870,566	552,706	2,248,605
Total Liabilities and Fund Balances	\$ 4,338,364	2,013,520	1,480,276	1,183,040	9,015,200

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 2,248,605
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,839,320
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,764)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	113,881
Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,360,414)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 8,830,628</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,586,243	1,078,591	210,930	230,542	4,106,306
Tuition	553,353	0	0	0	553,353
Other	104,188	27,778	25,691	347,195	504,852
Intermediate sources	17,481	0	0	0	17,481
State sources	5,742,939	0	95	108	5,743,142
Federal sources	129,774	0	0	0	129,774
Total revenues	9,133,978	1,106,369	236,716	577,845	11,054,908
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,415,142	0	0	9,000	4,424,142
Special instruction	1,100,406	0	0	0	1,100,406
Other instruction	807,616	0	0	289,674	1,097,290
	6,323,164	0	0	298,674	6,621,838
Support services:					
Student services	262,715	0	0	59,576	322,291
Instructional staff services	275,477	0	0	0	275,477
Administration services	990,542	0	0	0	990,542
Operation and maintenance of plant services	831,785	0	0	115,805	947,590
Transportation services	299,955	0	0	0	299,955
	2,660,474	0	0	175,381	2,835,855
Other expenditures:					
Facilities acquisitions	0	293,924	0	0	293,924
Long-term debt:					
Principal	0	0	770,000	0	770,000
Interest and fiscal charges	0	8,185	89,412	0	97,597
AEA flowthrough	364,846	0	0	0	364,846
	364,846	302,109	859,412	0	1,526,367
Total expenditures	9,348,484	302,109	859,412	474,055	10,984,060
Excess(deficiency) of revenues over(under) expenditures	(214,506)	804,260	(622,696)	103,790	70,848
Other financing sources(uses):					
Issuance of bonds	0	1,000,000	0	0	1,000,000
Transfers in	0	0	804,814	0	804,814
Transfers out	0	(804,814)	0	0	(804,814)
Total other financing sources(uses)	0	195,186	804,814	0	1,000,000
Net change in fund balances	(214,506)	999,446	182,118	103,790	1,070,848
Fund balance beginning of year	(814,276)	854,669	688,448	448,916	1,177,757
Fund balance end of year	\$ (1,028,782)	1,854,115	870,566	552,706	2,248,605

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 1,070,848

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 357,645	
Depreciation expense	<u>(356,391)</u>	1,254

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Issued	(1,000,000)	
Repaid	<u>770,000</u>	(230,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(3,035)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ (11,909)	
Compensated absences	<u>26,028</u>	14,119

Changes in net assets of governmental activities (page 15) \$ 853,186

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Construction Class	Total
Assets			
Cash and pooled investments	\$ 40,883	0	40,883
Accounts receivable	6,635	100	6,735
Inventories	13,860	0	13,860
Capital assets, net of accumulated depreciation (Note 6)	101,414	0	101,414
Total Assets	162,792	100	162,892
Liabilities			
Excess of warrants issued over bank balance	0	71,138	71,138
Interfund payable	15,499	0	15,499
Accounts payable	932	2,177	3,109
Salaries and benefits payable	5,770	686	6,456
Unearned revenue	12,472	0	12,472
Total Liabilities	34,673	74,001	108,674
Net Assets			
Invested in capital assets	101,414	0	101,414
Unrestricted	26,705	(73,901)	(47,196)
Total Net Assets	\$ 128,119	(73,901)	54,218

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	School Nutrition	Construction Class	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 299,058	208,990	508,048
TOTAL OPERATING REVENUES	299,058	208,990	508,048
OPERATING EXPENSES:			
Instruction:			
Other instruction:			
Salaries	0	7,924	7,924
Benefits	0	1,087	1,087
Services	0	130,146	130,146
Supplies	0	56,874	56,874
	0	196,031	196,031
Non-instructional programs:			
Food service operations:			
Salaries	157,624	0	157,624
Benefits	43,273	0	43,273
Services	10,777	0	10,777
Supplies	244,869	0	244,869
Depreciation	15,937	0	15,937
Other	1,017	0	1,017
	473,497	0	473,497
TOTAL OPERATING EXPENSES	473,497	196,031	669,528
OPERATING INCOME (LOSS)	(174,439)	12,959	(161,480)
NON-OPERATING REVENUES:			
State sources	6,015	0	6,015
Federal sources	139,832	0	139,832
Interest on investments	2,572	0	2,572
TOTAL NON-OPERATING REVENUES	148,419	0	148,419
Changes in net assets	(26,020)	12,959	(13,061)
Net assets beginning of year	154,139	(86,860)	67,279
Net assets end of year	\$ 128,119	(73,901)	54,218

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Construction Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 273,293	0	273,293
Cash received from miscellaneous operating activities	24,974	208,890	233,864
Cash payments to employees for services	(204,246)	(8,325)	(212,571)
Cash payments to suppliers for goods or services	(239,843)	(193,238)	(433,081)
Net cash provided by(used in) operating activities	(145,822)	7,327	(138,495)
Cash flows from non-capital financing activities:			
State grants received	6,015	0	6,015
Federal grants received	114,405	0	114,405
Net cash provided by non-capital financing activities	120,420	0	120,420
Cash flows from capital activities:			
Acquisition of capital assets	(10,298)	0	(10,298)
Cash flows from investing activities:			
Interest on investments	2,572	0	2,572
Net increase(decrease) in cash and cash equivalents	(33,128)	7,327	(25,801)
Cash and cash equivalents at beginning of year	74,011	(78,465)	(4,454)
Cash and cash equivalents at end of year	\$ 40,883	(71,138)	(30,255)
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (174,439)	12,959	(161,480)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	25,427	0	25,427
Depreciation	15,937	0	15,937
Increase in inventories	(2,692)	0	(2,692)
Increase in accounts receivable	(6,635)	(100)	(6,735)
Decrease in accounts payable	(5,915)	(6,218)	(12,133)
Increase(decrease) in salaries and benefits payable	(3,349)	686	(2,663)
Increase in unearned revenue	5,844	0	5,844
Net cash provided by(used in) operating activities	\$ (145,822)	7,327	(138,495)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 40,883	(71,138)	(30,255)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$25,427.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Bondurant and Farrar, Iowa, and the predominate agricultural territory in Polk and Jasper Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bondurant-Farrar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bondurant-Farrar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk and Jasper Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Construction Class Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Construction Class

Fund is used to account for the construction of houses within the District as part of a class.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise funds is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instructional, non-instructional programs and other expenditures functions exceeded the amounts budgeted. Also during the year ended June 30, 2008, total expenditures exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 17,624</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities and certificates are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2008, the District had investments in U.S. Treasury Securities as follows:

Type	Fair Value
U.S. Treasury Securities	<u>\$ 595,786</u>

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 583,068
Management Levy	General	11,061
Physical Plant and Equipment Levy	General	245,117
General	Enterprise, School Nutrition	<u>15,499</u>
Total		<u>\$ 854,745</u>

Of the \$583,068 in interfund loans between the Capital Projects Fund and General Fund at June 30, 2008, \$200,000 was borrowed during fiscal 2008. The remaining \$383,068 consists of interfund loans made during prior years.

The General Fund is repaying the Management Fund for early retirement benefits that were paid from Management Fund that should have been paid from the General Fund in prior years.

The General Fund is repaying the Physical Plant and Equipment Levy for funds borrowed during prior years and for the sale of a building that was deposited into the General Fund in a prior year.

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefit expenses from prior years and lunch deposits in the General Fund that were not transferred before June 30, 2008.

The District is aware that the current interfund loans consist of interfund loans made throughout current and prior years and realize that the interfund loans will take the District more than one fiscal year to correct in a responsible manner.

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 804,814</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. This transfer is to move funds from the Capital Projects to the Debt Service to cover the revenue bond payments.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 705,705	268	700,000	206

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008.

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	700,000	700,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 507,375	0	0	507,375
Construction in progress	0	306,687	0	306,687
Total capital assets not being depreciated	507,375	306,687	0	814,062
Capital assets being depreciated:				
Buildings	11,395,998	0	0	11,395,998
Land improvements	659,717	0	0	659,717
Machinery and equipment	2,469,896	50,958	32,481	2,488,373
Total capital assets being depreciated	14,525,611	50,958	32,481	14,544,088
Less accumulated depreciation for:				
Buildings	3,650,822	234,582	0	3,885,404
Land improvements	471,797	22,156	0	493,953
Machinery and equipment	2,072,301	99,653	32,481	2,139,473
Total accumulated depreciation	6,194,920	356,391	32,481	6,518,830
Total capital assets being depreciated, net	8,330,691	(305,433)	0	8,025,258
Governmental activities capital assets, net	\$ 8,838,066	1,254	0	8,839,320
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 281,577	10,298	0	291,875
Less accumulated depreciation	174,524	15,937	0	190,461
Business-type activities capital assets, net	\$ 107,053	(5,639)	0	101,414

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 16,434
Special	3,034
Other	4,661
Support services:	
Instructional staff services	2,385
Administration services	6,800
Operation and maintenance of plant	16,983
Transportation	49,356
	99,653
Unallocated depreciation	256,738
Total governmental activities depreciation expense	\$ 356,391
Business-type activities:	
Food services	\$ 15,937
Total business-type activities depreciation expense	\$ 15,937

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 205,000	1,000,000	205,000	1,000,000	200,000
Revenue Bonds	1,775,000	0	565,000	1,210,000	590,000
Early Retirement	135,338	49,929	38,020	147,247	25,208
Compensated absences	29,195	3,167	29,195	3,167	3,167
Total	\$ 2,144,533	1,053,096	837,215	2,360,414	818,375

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated December 1, 2007			
		Principal	Interest	Total	
2009	3.75	% \$ 200,000	54,900	254,900	
2010	3.75	200,000	29,100	229,100	
2011	3.60	200,000	21,600	221,600	
2012	3.60	200,000	14,400	214,400	
2013	3.60	200,000	7,200	207,200	
Total		\$ 1,000,000	127,200	1,127,200	

Revenue Bonds

Details of the District's June 30, 2008 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue dated June 1, 2001			
		Principal	Interest	Total	
2009	4.60	% \$ 590,000	55,970	645,970	
2010	4.65	620,000	28,830	648,830	
Total		\$ 1,210,000	84,800	1,294,800	

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$460,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to all licensed employees who are at least 55 years of age and who have completed at least twenty years of services in the Bondurant-Farrar Community School District as a licensed employee since the last date of hire. Years of service as a substitute employee shall not count as a year of service. Employees must complete an application which is required to be approved by the Board of Education. An employee granted early retirement will receive a stipend equal to \$3,000 less lawful deductions. An employee granted early retirement may elect to continue participation in the District's group health insurance plan subject to approval of the carrier and in accordance with Iowa law. The employee must have been a participant in the District's group health insurance plan. The District will continue to pay up to \$350 per month towards the premium for single coverage until the employee is eligible for Medicare or Medicaid for any reason, becomes covered by another employer provided group health insurance plan, dies, or fails to pay the balance of the premium due for coverage. Early retirement benefits paid during the year ended June 30, 2008, totaled \$38,020.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the

years ended June 30, 2008, 2007 and 2006 were \$358,057, \$311,512 and \$267,669, respectively, equal to the required contributions for each year.

(9) Risk Management

Bondurant-Farrar Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$364,846 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The General Fund had a deficit undesignated fund balance of \$1,306,445 at June 30, 2008. The Construction Class Fund also had a deficit unrestricted fund balance of \$73,901.

(12) Construction Commitment

The District has entered into various contracts totaling \$12,686,175 for a new high school. As of June 30, 2008, costs of \$289,516 had been incurred against the contracts. The balance of \$12,185,207 remaining at June 30, 2008 will be paid as work on the project progresses. The total cost of the new high school will be added to the District's fixed asset listing upon completion.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction, non-instructional programs and other expenditures exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted during the year ended June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,164,511	510,620	5,675,131	5,231,355	5,231,355	443,776
Intermediate sources	17,481	0	17,481	1,500	1,500	15,981
State sources	5,743,142	6,015	5,749,157	5,692,459	5,692,459	56,698
Federal sources	129,774	139,832	269,606	150,000	150,000	119,606
Total revenues	11,054,908	656,467	11,711,375	11,075,314	11,075,314	636,061
Expenditures:						
Instruction	6,621,838	196,031	6,817,869	5,700,000	5,700,000	(1,117,869)
Support services	2,835,855	0	2,835,855	3,212,000	3,212,000	376,145
Non-instructional programs	0	473,497	473,497	432,000	432,000	(41,497)
Other expenditures	1,526,367	0	1,526,367	1,454,222	1,454,222	(72,145)
Total expenditures	10,984,060	669,528	11,653,588	10,798,222	10,798,222	(855,366)
Excess(deficiency) of revenues over(under) expenditures	70,848	(13,061)	57,787	277,092	277,092	219,305
Other financing sources, net	1,000,000	0	1,000,000	0	0	1,000,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	1,070,848	(13,061)	1,057,787	277,092	277,092	780,695
Balance beginning of year	1,177,757	67,279	1,245,036	1,477,598	1,477,598	232,562
Balance end of year	\$ 2,248,605	54,218	2,302,823	1,754,690	1,754,690	548,133

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instruction, non-instructional programs and other expenditures functions exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

OTHER SUPPLEMENTARY INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 29,847	165,575	159,473	354,895
Receivables:				
Property tax:				
Current year delinquent	2,687	0	964	3,651
Succeeding year	220,000	0	348,316	568,316
Interfund	11,061	0	245,117	256,178
Total Assets	\$ 263,595	165,575	753,870	1,183,040
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	598	51,732	52,330
Salaries and benefits payable	9,688	0	0	9,688
Deferred revenue:				
Succeeding year property tax	220,000	0	348,316	568,316
Total liabilities	229,688	598	400,048	630,334
Fund balances:				
Unreserved:				
Undesignated	33,907	164,977	353,822	552,706
Total fund balances	33,907	164,977	353,822	552,706
Total Liabilities and Fund Balances	\$ 263,595	165,575	753,870	1,183,040

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 170,388	0	60,154	230,542
Other	38,373	303,695	5,127	347,195
State sources	81	0	27	108
Total revenues	208,842	303,695	65,308	577,845
Expenditures:				
Current:				
Instruction:				
Regular instruction	9,000	0	0	9,000
Other instruction	0	289,674	0	289,674
Support services:				
Student support services	59,576	0	0	59,576
Operation and maintenance of plant services	115,520	285	0	115,805
Total expenditures	184,096	289,959	0	474,055
Excess of revenues over expenditures	24,746	13,736	65,308	103,790
Fund balances beginning of year	9,161	151,241	288,514	448,916
Fund balances end of year	\$ 33,907	164,977	353,822	552,706

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest Earned On Checking	\$ 1,263	3,151	0	4,414
Elementary Resale	1,089	8,087	6,304	2,872
Elementary Pop Fund	359	413	385	387
Farrar Carnival	2,119	674	785	2,008
RIF Program	1,882	0	1,885	(3)
Jump Rope For Heart	1,900	0	0	1,900
3rd Grade Bubble Account	432	246	86	592
HS Pop Fund	2,518	2,719	4,005	1,232
Industrial Tech-Donations	1,047	585	337	1,295
Adult Education	1,112	0	0	1,112
General Activities	2,557	8,375	6,922	4,010
Interest Earned On Savings	1,212	475	0	1,687
Art Fund	3,879	344	10	4,213
HS Play and Musical	3,510	7,203	6,530	4,183
Vocal Resale	0	5,727	3,740	1,987
Box Tops For Education	2,393	71	2,464	0
Band Resale	4,073	11,668	14,184	1,557
Vocal Music Fund	654	290	(218)	1,162
Swing Choir Fund	747	0	747	0
Band Fund	0	440	0	440
Speech Fund	1,548	808	882	1,474
Weight Room	671	437	0	1,108
Activity Passes	6,815	7,820	8,640	5,995
Cheerleaders	1,971	22,302	22,706	1,567
Jayz Danz	0	2,642	1,507	1,135
Basketball	7,163	10,423	10,174	7,412
Volleyball	3,012	8,100	8,038	3,074
Football	5,955	17,417	14,463	8,909
Soccer	5,461	6,418	6,872	5,007
Baseball	1,401	9,177	12,051	(1,473)
Softball	2,144	6,593	9,897	(1,160)
Track	7,601	15,231	15,259	7,573
Golf	1,041	3,580	1,997	2,624
Wrestling	7,428	17,865	12,923	12,370
Athletic Director	3,778	19,352	22,155	975
Scoreboard Advertising	962	550	480	1,032
Class of 2006	1,695	0	1,695	0
Class of 2007	1,291	0	1,291	0
Class of 2008	645	0	571	74
Class of 2009	743	3,998	3,090	1,651
Class of 2010	0	0	(1,493)	1,493
Class of 2011	0	3,609	1,311	2,298

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Springbrook	8,460	11,674	9,354	10,780
Student Council	1,540	6,014	4,910	2,644
SADD	6	0	0	6
TLC	250	0	250	0
Honor Society	18	2,077	2,377	(282)
Club Hola	2,700	14,712	11,380	6,032
Health Fund	91	0	91	0
FCCLA	463	500	390	573
Jerrica Memorial Library	33	0	33	0
Boys Basketball Camp	2,639	9,625	10,511	1,753
Girls Basketball Camp	747	1,645	1,575	817
Football Varsity Clinic/Camp	3,829	16,578	18,907	1,500
Baseball Camp	1,748	11,123	7,697	5,174
Softball Camp	7,524	1,776	4,765	4,535
Elementary Students in Need	2,194	3,153	2,393	2,954
Elementary Yearbook	938	3,538	0	4,476
Elementary Pictures	2,828	889	568	3,149
High School Students in Need	1,290	0	124	1,166
High School Yearbook	15,739	7,640	9,139	14,240
HS Pictures	3,131	2,456	2,020	3,567
Football Flag	376	3,505	800	3,081
JH Football Camp	626	0	0	626
Total	\$ 151,241	303,695	289,959	164,977

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,106,306	3,971,159	3,527,309	3,306,713	3,161,114
Tuition	553,353	546,397	469,489	464,409	536,214
Other	504,852	550,028	503,821	497,776	341,675
Intermediate sources	17,481	0	0	0	0
State sources	5,743,142	5,065,455	4,367,508	3,974,938	3,808,308
Federal sources	129,774	140,591	132,059	123,261	72,498
Total	\$ 11,054,908	10,273,630	9,000,186	8,367,097	7,919,809
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 4,424,142	4,148,023	3,224,214	3,119,356	3,026,436
Special instruction	1,100,406	988,224	791,890	643,686	777,373
Other instruction	1,097,290	820,660	796,094	890,544	644,877
Support services:					
Student services	322,291	438,911	311,523	286,397	247,041
Instructional staff services	275,477	271,626	270,701	193,651	175,735
Administration services	990,542	986,305	874,871	778,394	736,568
Operation and maintenance of plant services	947,590	952,297	853,039	716,959	854,074
Transportation services	299,955	363,546	329,050	204,073	218,472
Other services	0	0	0	111,739	141,415
Non-instructional programs:					
Other enterprise operations	0	4,743	17,788	0	0
Other expenditures:					
Facilities acquisitions	293,924	93,815	137,668	542,150	3,090
Long-term debt:					
Principal	770,000	795,000	760,000	800,000	755,000
Interest and other charges	97,597	129,012	157,668	188,749	221,321
AEA flow-through	364,846	330,110	281,153	262,502	256,835
Total	\$ 10,984,060	10,322,272	8,805,659	8,738,200	8,058,237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bondurant-Farrar Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bondurant-Farrar Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bondurant-Farrar Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bondurant-Farrar Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bondurant-Farrar Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bondurant-Farrar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2009

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - Steps have been taken to segregate duties with the addition of staff and disbursement of duties. The District will continue to review the processes and implements controls when possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There are high school pop and elementary pop accounts. These accounts are not student run organizations and do not appear to be cocurricular in nature and should therefore, be run through the General Fund.

There are high school picture and elementary picture accounts. These funds are received as a result of commissions on pictures. Commissions should be recorded in the General Fund.

There are Adult Education, Elementary Resale and Industrial Arts accounts. These accounts are not student run organizations and should therefore, be run through the General Fund.

There are Athletic Director and Scoreboard Advertising accounts. These accounts are not student run organizations and should be redistributed among other accounts within the Student Activity Fund.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

There are several accounts without activity during the year. These accounts include: Junior High Football Camp, Jump Rope for Heart, SADD, and. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

The District writes various checks throughout the year for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are barer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

We noted that library books were purchased from the Elementary Account in the Student Activity Fund. If fundraisers or donations are received to purchase library books, the revenue should be recorded and subsequently paid from the General Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The Adult Education account has been closed. The District will review the Activity Fund procedures and implement appropriate changes necessary to comply.

Conclusion - Response accepted.

I-C-08 Activity Invoices - We noted during our audit that on five out of twenty-seven disbursement tested that the invoice for the purchase was unable to be found.

Recommendation - The District should review procedures in place in regards to the retention of invoices to make certain each purchase has an invoice to support the purchase.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

I-D-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with

Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District will comply with this recommendation and require a signed contract before payment is made.

Conclusion - Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 exceeded the amount budgeted in instruction, non-instructional programs and other expenditures program areas. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - In the future, the District will amend the budget as required.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted during our audit that the District gave gift cards to individual students from the Students in Need and Student Council accounts in the Student Activity Fund. Gift cards are considered cash and do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review their procedures regarding gift cards.

Conclusion - Response accepted.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Denny Mohr, Transportation Director Owner of M&D Adventure	Purchased Services	\$1,125

In accordance with the Attorney General's opinion dated July 2, 1990, the above transaction does not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was understated by 0.1 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will comply with the recommendation.

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will comply with the recommendation.

Conclusion - Response accepted.

II-K-08 Financial Condition - The District had a deficit unreserved fund balance of \$1,306,445 and \$73,901 in the General Fund and the Enterprise-Construction Class Fund, respectively. We also noted during our audit deficit account balances in the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District has implemented an action plan addressing the deficit and is implementing various strategies to reduce and eventually eliminate the deficit.

Conclusion - Response accepted.